

Understanding Middlesex Retirement Costs

• How is the Retirement System Funded?

- Employer Contributions
 - Assessment based on our own employee's, retirees, salary, disability, mortality rates, etc.
- Employee Contributions
 - Hire Date Prior to 1/1/1975 5%
 - After 1/1/1975 and prior to 1/1/1984 7%
 - After 1/1/1984 and prior to 7/1/1996 8%
 - After 1/1/1996 9%
 - After 1/1/1979 (earnings over 30k) +2%
- Return on Investments
 - Actuarial rate of return 8%
 - Losses and gains "smoothed" over 5 years

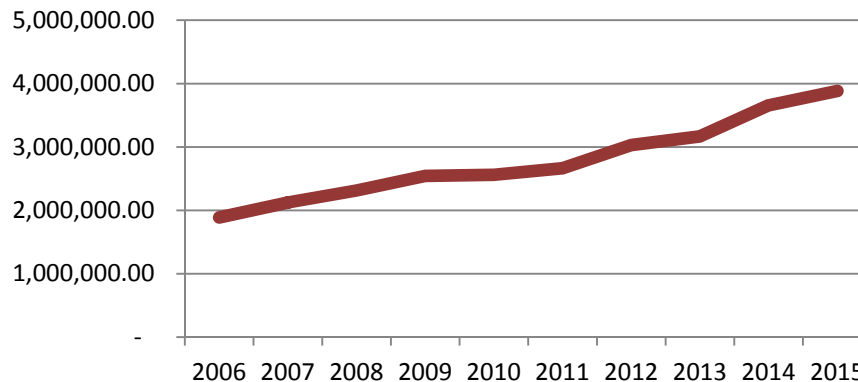
• What is the "Unfunded Pension Liability?"

- The single sum value of lifetime benefits to existing pensioners
- 65% of assessment towards unfunded liability
- Insufficient employee contributions in the 70's and 80's, reduced employer share contributions during years of market gains, reluctance to decrease actuarial investment assumptions, and some well publicized pension loop holes lead to the deficit

Pension Law Reform Highlights

- Eliminated one day for one year service for elected officials
- Elected officials must serve ten years to become vested
- Eliminated "working out of grade" disability calculations
- Extend full funding of retirement systems to 2040 – Middlesex target is 2035
- Increase minimum retirement age and maximum benefit age
- Retirement calculation based on highest earning five years instead of three

Middlesex Retirement Assessment



Note: Teachers contribute to Mass. Teacher's Retirement which is funded by the State. There is no town appropriation.

June 20, 2013



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Illustration of Employee Contributions

Effect of 9% Contribution for Group 1 Members

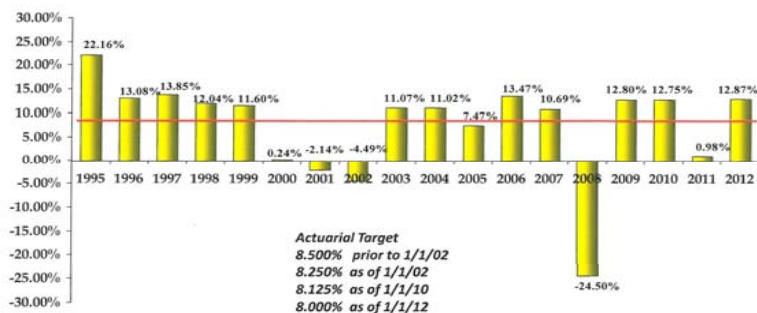
Assumed Salary Increase: 4% per year

Investment Return: 8% per year

Approx. % Value of Benefits Paid by Employee

Age at Hire:	25	35
Retirement Age – 55	115%	100%
Retirement Age – 60	104%	90%
Retirement Age – 65	128%	89%

Middlesex County Retirement System
Calendar Year Returns
1995 to 2012



*2012 Return Rate not considered final until published by PERAC

•Membership

- MRET has 4,886 retired/ survivor/ beneficiary members
- Average benefit is \$21,010
- Westford has 158 retired participants

•Oversight

- The Middlesex Retirement System is overseen by the Public Employee Retirement Administration Commission (PERAC)

•Did you know....

- The municipal pension system in Massachusetts is governed by MGL Ch 32
- Town and School employees are not eligible to accrue social security benefits through their town employment
- In the private sector social security is deducted from employee pay and matched by the employer at the rate of 6.2% on all wages
- In fiscal year 2012, wages, salary, overtime, etc. totaled \$56,741,429
- If the town had to pay social security tax on those wages, the total would have been \$3,517,968
- The Middlesex Retirement Assessment in fiscal year 2012 was \$3,030,843. Normal Cost share was \$955,764.



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